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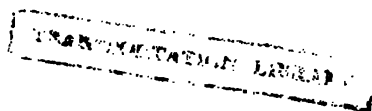
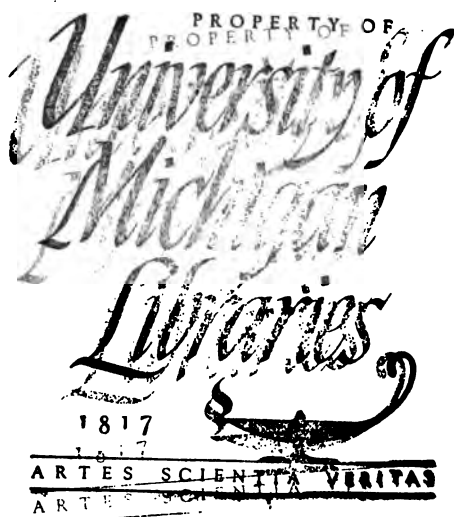
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THE NEED OF THE HOUR

An American Merchant Marine

By BENJAMIN J. ROSENTHAL

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THE
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An American Merchant Marine

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BENJAMIN J. ROSENTHAL



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Dedicated to My Daughters

*Gladys R. Beisfeld and
Elaine V. Rosenthal*

On page 54 the author says:

"It seems incredible—and it is impossible to lay too much emphasis upon this point—that this nation, knowing that it is sitting on a bomb which at any moment is likely to explode and smash its oversea commerce to smithereens, nevertheless simply plays with fate, hoping, although it wants to be neutral, that England and France will continue to control the seas, so that Germany cannot get out and destroy any of the ships and thus injure or perhaps destroy our own oversea commerce."

In the light of a recent event, perhaps the bomb has already exploded and this nation will now awake to the imminent danger to its great oversea commerce.

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*C*OMMERCIAL *Expansion and Merchant Marine* are not new topics. It is only because of the present European war that these subjects have been brought into such prominence that they are now uppermost in the minds of the American people. Almost twenty years ago Mr. Volney W. Foster (who has since passed away, but who at that time was one of Chicago's leading citizens) in a talk with certain of his friends upon his return from Mexico, where he had made some investments, dwelt at length upon the possibilities of American foreign trade. Shortly thereafter Mr. Foster and other prominent Chicagoans formed the National Business League of America, the cardinal principles of which were the upbuilding of a merchant marine and the improvement of the consular service, to the end that our foreign trade be properly safeguarded and increased. The League accomplished much that was beneficial and of value. It fought for the establish-

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ment of the Department of Commerce, and to its efforts was due in a large measure the success of that movement, as well as the increased efficiency of the consular service. In December, 1911, the First National Business Congress was held at Chicago, under the auspices of the League, in the Gold Room of the Congress Hotel, and many of the leading commercial organizations of the United States were represented. The expansion of our foreign trade was the principal topic for discussion. In addressing the Congress on one of the subjects assigned to him, viz., "How to Get a Merchant Marine," the author made the following remarks:

"The \$30,000,000 which we spend annually for harbor improvements would be spent for our own benefit instead of for foreign ship owners, and instead of paying right back in freight rates the money that we take in for our exports in excess of our imports, we would pay this money to American labor. Instead of allowing a foreign pool to make freight rates for American shippers, if we controlled our merchant marine we would see that no discrimination was made against the American shipper, *and in case of war between any of the great*

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shipping nations instead of having our commerce paralyzed, as we would have it under present conditions, on account of inability to secure ships for our commerce, we would go right on attending to our business and shipping the exports of our nation on our own bottoms."

The author is referring to this now, because he wants to emphasize the fact that the subject is not a new one, and that even the present war was not entirely unexpected by the writer, who had returned from a trip abroad shortly before this Congress was held, and during that trip had noticed with a great deal of apprehension the significant preparations that were being made by the great nations across the seas by way of an alarming increase of appropriations for military purposes.

And so what was considered a theory a few years ago has to-day become a stern reality, and we are face to face with what I regard as the greatest crisis that has confronted our republic since the Civil War, for not only must we take care of the population of the United States, but I believe that for a while, at least, the world's population of 1,800,000,000 must look to the resources of the United States for the neces-

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saries of life, food, clothing and shelter. Upon her ability to get these products to the nations of the world, therefore, will depend in a large measure America's right to take rank as the world's greatest commercial nation, the position she should properly occupy. Of course, there is but one way to get these products to other countries, — by ships, — and as we have practically none of our own at present, except those that have recently accepted American registry, and we can count on those only as a temporary makeshift, this book is therefore written in the hope that it will serve to awaken the American nation to action, for when once aroused, it will accomplish what it sets out to do, as its past history has shown. It is hoped that this book may place in a true light before the American people the paramount necessity of the hour, "an American Merchant Marine."

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CHAPTER I

HISTORY OF OUR MERCHANT MARINE, WITH SPECIAL REFERENCE TO ITS LEGISLATION

ON July 4, 1789, our first merchant marine legislation was enacted into law. It provided that a discount of 10% be allowed on all duties imposed on imports in vessels wholly the property of a citizen or citizens of the United States. On August 10, 1790, further legislation was passed, providing for an addition of 10% of the ordinary duties on imports in foreign ships. So, in order to induce Americans to import on American bottoms, not only was a discount of 10% allowed, but a penalty of 10% was added if the goods came in on a foreign bottom. This was the commencement of an effort on the part of America to build up a merchant marine. We were not much of a seafaring nation while under

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British dominion, for it was ever the aim of England to keep this valuable business under her direct control; but when we gained our independence, we swept aside all the antiquated navigation laws that had been imposed upon us by England, and the United States started out to build up its own merchant marine.

During the first ten years marked progress was made in that direction, and at the dawn of the new century we were carrying 80% of our own products on American bottoms. In the next decade additional progress was made, and by 1810 we were carrying 90%. In a very short time thereafter not only practically all our own, but a large portion of the world's commerce was being carried by our ships, and our maritime greatness formed the most splendid period in our commercial history, for we led the world as a maritime nation and then occupied the position as a carrier that England holds at the present time.

There were many reasons to account for this splendid progress of America as a maritime nation. In the first place, due credit must be given to the superb energy and aggressiveness of our then young nation, but it must not be over-

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looked that the era of the Napoleonic wars was in a large measure responsible for our progress, for during these wars the foreign shipping became completely demoralized, and the commerce of the world was left practically to us. England and France were both afraid to send out ships, each fearing that they would be captured by the other, and as these nations, with the United States, were then the carriers of nearly all the world's commerce, America, realizing her great opportunity, seized it, and as a consequence became mistress of the seas. That great advantage was maintained for a long time after the close of the Napoleonic wars, for the other nations had to rehabilitate their commerce, and it took some time for them to regain the lost ground.

While from that date until 1845 we maintained our supremacy, and even from 1845 till 1856 we still carried from 75% to 85% of our oversea commerce, a decline set in from 1856, and this date should be borne well in mind, for the reason that most writers attribute the decline in our merchant marine to the Civil War. While it is true that from 1861 to 1866 the percentage of the commerce that our own ships carried

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declined from 65% to 27%, from which latter figure it recovered until in 1871 it had risen to 31%, and then steadily declined until it finally dropped to its present low figure, 8.9%, still the decadence of our merchant marine cannot be charged to the Civil War, for the falling off had already set in five years previous to the war. The war was but one of the incidents that led not only to a falling off in our merchant marine, but a falling off in all commercial progress, just as the present war has paralyzed the commerce of all the nations which are in any way affected by the war.

We can trace the reasons for our decline with but little difficulty. About 1840, the death knell of wood, of which we had a great abundance, and which was then used in the construction of ships, was sounded, and iron took its place, and England immediately saw her golden opportunity to again take possession of the seas. America at that time had practically no iron or steel industries (for up to 1890 our entire exports of manufactured goods were only \$100,000,000 annually, while in 1913 they reached the tremendous proportion of \$1,200,000,000), and we were importing the prin-

cipal part of the iron and steel required in this country. England, with its abundant supply of iron and coal, had already developed her iron manufacturing industries, and before we could realize our shortcomings England had constructed better and faster ships, which immediately supplanted our poorer and slower ones. Of course we were crippled just at that time by our war at home, for we were obliged to withdraw from oversea commerce a number of our ships, and when we recovered from the war, England had so far outdistanced us that she never gave up the great advantage to which she had attained. Instead of losing any part of this advantage, she steadily added to her tonnage, until to-day she is not only mistress of the seas, but during the present war she controls the commerce of the seas and her oversea tonnage exceeds the combined oversea tonnage of all the other nations.

Now what is more natural, in view of these facts, than that history should again repeat itself, and while the foreign countries are so busily engaged in pursuits of war, should not this nation make every effort to regain the great prize which she had permitted foreign nations

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to capture while *she* was engaged in war? We have not the excuse that we cannot manufacture iron and steel to compete with England or Germany, for we now land steel rails in England in competition with that country, and transport them besides, on foreign bottoms, paying liberal rates for their transportation, and our iron manufactures for export enter every civilized country of the globe in close competition with the manufactures of the world. If the United States does not now take advantage of this unequalled opportunity, she may never, probably will never, have a chance again to regain the great oversea prestige which she had sixty years ago.

Reverting again to legislation, so that we may have before us a complete history of what we have done to obtain a merchant marine and to regain our lost prestige, let us review in detail the legislation that followed the law of 1790 in relation to the discount and discriminating duty. On March 3, 1815, legislation of a reciprocal nature was passed, which provided that in case any country admitted imports from the United States in American vessels on terms of equality with similar imports in their own ves-

sels, the President was authorized by the Act to exempt from the additional duty imports into the United States from such foreign countries in vessels belonging to those countries. Then on May 22, 1824, an act was passed continuing in force the additional duty of 10% of the ordinary duties on imports in foreign ships, with the proviso that the additional duty should not apply to foreign ships or vessels entitled by treaty or by any act of Congress to be admitted upon the payment of the same duty that is applied on imports in ships or vessels of the United States, and with the exception that the additional duty was changed in 1861 from 10% of the ordinary duties to 10% *ad valorem*, a similar provision has appeared in practically all tariff acts of the United States up to the present time. The last legislation bearing on this particular matter was passed in the tariff bill of October 3, 1913, except that the discount allowed to our importers for imports on American ships was made 5% on the duties assessed, except where it violated treaties, but the legislation of October 3, 1913, with reference to this discount has been declared unconstitutional by the Attorney General of the United States and is now in the courts

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awaiting adjudication. This is practically the history of America's efforts to build up a merchant marine by the discount or discriminating duty plan.

The free ship plan in effect sought to nullify the law whereby all materials for ships imported into this country had to bear the regular tariff duties. It was claimed that if the United States permitted such materials to come in free, this action would result in upbuilding our merchant marine. This was finally enacted into law under the Dingley Tariff Act, but it appears that it had no favorable effect on the merchant marine. It was then claimed that even with free materials, on account of the higher wage scale paid in America, it was impossible to build ships to compete with ships of foreign construction, and a clamor went up for the admission to American registry of ships built abroad but owned by Americans. The law then provided that ships built within five years (requiring ships not older than five years) and owned by Americans could be so registered, and finally, on August 18, 1914, a law was passed giving the President the right to suspend certain maritime regulations of inspection and operation, and also

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permitting all American owned ships irrespective of age, to come under American registry. Under this law up to February 18, 1915, 129 ships of a gross tonnage of 475,000, have come under American registry, many of these ships although American owned, having previously sailed under the British flag. On account of the action of the British government there is some doubt about these ships being safe on the high seas during the war.

Of these newly registered ships, there are but seven of seven thousand tons or over. One of these ships is nearly fifty years old, one is forty, and one-half of them are twenty-five years old, or older. There are no fast ships amongst them, most of them being slow freighters and tankers.

Legislation has also been introduced from time to time, and especially during the past quarter of a century, providing that this government should pay a subsidy to ship owners who would build and operate ships under the American flag. The history of this legislation would fill volumes, but although in almost every Congress during the past twenty-five years a ship subsidy bill has been introduced, and although these bills appeared to have the backing of the

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wealth and influence of the nation, every one has been consistently defeated, except in the cases of the four steamers on the Atlantic, which are subsidized for the carrying of the mails, and four on the Pacific, subsidized for the same purpose.

Other legislation has been presented in different Congresses, providing for some form of government interest in ships, and the legislation most seriously being considered by the government today is the Alexander bill, which provides that this government should organize a corporation, 51 % of the stock to be owned by the government, the balance to be subscribed for by the people, and the government to build or purchase ships to be used for the transportation of oversea commerce. Whether or not this bill will be enacted into law remains to be seen. There is much sentiment in favor of it, and considerable opposition as well. The different phases of proposed legislation are here introduced, simply that the reader may have a comprehensive purview of the history of the legislation connected with the merchant marine from the birth of the republic down to the present time.

CHAPTER II

OUR NAVY IN ITS RELATION TO A MERCHANT MARINE

FROM the standpoint of our navy, as well as our commerce, the paramount need of the American nation is a merchant marine. During the past quarter of a century volumes have been written on the subject, public men who commanded the highest respect of the nation, in fact every President from Cleveland down to Wilson, has urged the nation to build up its merchant marine; the Admiral of our navy, naval officers high in the confidence of the nation, and leading thinkers have written and spoken time and time again upon the great importance of a merchant marine, not only for the safeguarding of our navy, but for the protection of our great commerce. Despite all these appeals, despite the promises of all the political parties contained in their platforms, to-day we are where we started a quarter of a century ago, except for a temporary war measure, just en-

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acted into law, in the shape of a suspension during the will of the President, of certain of our maritime laws that enables ships owned by Americans formerly flying a foreign flag, to register under American registry, but none of these ships would be of much use to our navy in time of war even if we could impress them, as they are principally slow freighters and they could not keep the sea beside our battleships.

It seems incredible that a nation so rich in natural wealth, so resourceful, so energetic, so wide awake and liberal on the big questions of the times, should permit itself to sit supinely by and see its great navy and its great oversea commerce placed in dire jeopardy. It has been pointed out repeatedly by citizens who had only the welfare of our nation at heart, that at any moment, through no fault of our own, our great commerce might become paralyzed by a war between the two great oversea carrying nations. This thought has been scoffed at and passed over with more or less contempt, yet to-day what is the situation? England and Germany, the great oversea carrying nations, are engaged in deadly conflict,— Germany with its entire fleet of merchant marine tied up either at its own docks or

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at the docks of neutral powers, without a single ship plying between our country and hers, England doing what she can to keep open the only means of transportation between this country and the continent by reason of her tremendous naval strength, yet obliged to withdraw a large portion of her merchant marine and use the ships thus withdrawn as auxiliaries for her navy to transport her soldiers not only from England, but from her colonies to France and England. A detailed statement issued by the London board of trade November 26, 1914, sets forth that "after sixteen weeks of war 1,221 German steamers, representing 89.3% of Germany's mercantile marine, have been captured, detained, or have sought refuge in port. In the same period 195 English ships have similarly been removed from the mercantile service, representing 2.0% of the British mercantile marine." Meanwhile our nation, which has so much at stake on account of its vast oversea commerce, remains in an uncertain state, not knowing from day to day what may happen to its commerce through the hostilities of the nations now at war, for with its present fleet of merchant ships its oversea commerce would be almost wiped out of

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existence, if the war in its progress should result in the gradual withdrawing of foreign merchant ships, a situation not at all improbable.

In 1860 over 50% of all the tonnage of American and foreign vessels entered and cleared in the foreign trade of the United States, was American tonnage, while in 1913 about 75% represented foreign tonnage and 25% American. In like periods the percentage of the value of the merchandise carried on American bottoms was 66½% in 1860 and less than 9% in 1913, while twenty years previous to 1860 it was almost 85% American and in 1825 it was over 92%, so one can readily note the steady decadence of the American merchant marine, and just as we retrograded England advanced. While fifty years ago we rivaled England, she progressed so rapidly that to-day she is mistress of the seas and dictator of the rates our shippers shall pay for carrying our commerce, and she has been rather a hard taskmistress and unusually severe on her American pupils.

To-day the American nation possesses just a round million of tons of oversea tonnage, plus 475,000 tons added as a result of the Registry law, which I regard as temporary, while Eng-

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land modestly boasts of twenty million and Germany five million, and little Norway, with a population as large as Chicago, is proud in the possession of twice as much oversea tonnage as this great nation with its one hundred million people. England with its roster of 8,500 steamships engaged in oversea commerce looks benignly down on America's proud fleet of less than 150 and says, "Is it possible that fifty years ago America was the nation that set us the example of the great value of a merchant marine, yet to-day some of the important shipping centers of the world do not see her flag for years," and then she says, "Thank you for building up for us through the grace of your patronage our splendid merchant ships and our experienced seamen, and while we hope we shall never go to war with you, still if we do, we will have to convert these merchant ships into cruisers and we'll use them to chastise you."

England transports over 90% of her oversea commerce while Germany transports 50% and France about 30%, and we struggle along in the unit column. There is but one consolation in this array of figures,—below units we cannot slip! Think of a nation whose oversea com-

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merce in 1913 reached the enormous total of nearly \$4,500,000,000, whose manufacturers and producers have been enabled to transport less than 9% of this stupendous commerce on their own bottoms, and have been obliged to depend upon foreign steamships for the balance!

The question of the present war has no bearing upon the necessity of a merchant marine to augment our navy, for long before the war was dreamed of the writer as well as many others has pointed out this necessity.

There are other and even more important reasons why America, if she hopes to remain a firstclass nation, must immediately and heroically commence the rehabilitation of her merchant marine. These reasons will have consideration in subsequent pages.

Our navy consists of 230 war ships, including 6 transports, 7 supply ships and 2 hospital ships, 21 colliers of 95,000 tons total cargo capacity. Now see how helpless this great navy would be in case of war, the seat of which was 3,000 miles from home. Where would we get transports for our army, supply ships, scouts, colliers for our coal, ammunition ships, refrigerating and distilling ships, dispatch vessels, tugs and depot

ships, all of which are so necessary for the safety and efficiency of our navy? We could not buy these ships in time of war, for the neutrality treaties forbid it. What appears on paper to be a magnificent fleet would in reality be of little effect for lack of naval auxiliaries or merchant marine. The other great nations have recognized this necessity and have built up an adequate merchant marine. We too have realized the great need of it, but little has been done to rectify the condition. During the Spanish-American War we learned the value of these auxiliaries. We were enabled to purchase some ships,—this was before the present treaty agreement was effected,—and we paid big prices, but they were of great value. We are to-day equipped to provide auxiliaries for two squadrons, but the rest of our battleships would be practically helpless.

A member of Congress in a plea before Congress for the upbuilding of a merchant marine, said: "In time of war the best thing for our nation to do would be to sink our battleships to prevent their capture and use against us, because our ships would be helpless without auxiliaries." Admiral Dewey, as President of the General

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Board, in a report to Congress, said: " In time of war the great need of auxiliary vessels is immediately felt by both the army and navy, and the existence of a large fleet of American owned vessels, available at once for conversion into transports or supply ships, would undoubtedly be of great importance in expediting the departure of troops and in supplying them after departure. These vessels could be used as scouts, colliers, ammunition ships, supply and refrigerating, distilling and hospital ships, repair and torpedo depot ships, transports, dispatch vessels and tugs. The most important service that a merchant marine could accomplish would be for scout purposes, when the sea could be kept and good speed made. One vessel for this purpose would be needed for each battleship. The navy would need a number of colliers of at least 5,000 tons, and with sufficient speed and steaming radius to enable them to accompany a squadron of battleships. There should be five such colliers for each squadron of eight battleships with its attending cruisers. A number of colliers of less speed and carrying capacity would also be needed for keeping the coal supply replenished at the various coal depots, and for other pur-

poses. Ammunition ships of about 4,000 tons carrying capacity would be required for the purpose of replenishing the ammunition supply of the fleet with reserve ammunition in case of contemplated action. There should be one such vessel for each squadron of eight battleships with its attending cruisers. A number of transports would also be needed by the Navy Department for the transportation of a force of marines for the establishment and defence of advanced naval bases. Each transport should be capable of carrying at least one battalion of marines with complete outfit of field and camp equipage. Another benefit which would accrue to the navy from a large fleet of American owned merchant vessels would lie in the large number of experienced sea-going men, engineers, and firemen, accustomed to marine engines and boilers, who would form a valuable reserve from which to draw the men for manning the auxiliaries."

Admiral Sperry, who took part of our great fleet of battleships around the world, says: "I did not once see a merchant ship flying our country's flag. We had to depend upon foreign colliers for our coal supply, and when they failed, had to buy coal at high prices." Think of it!

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We send a great fleet for a cruise around the world, so that the nations of the world might see our great battleships, and then are made the laughingstock of foreign nations when they see that the coal to keep the fleet steaming is carried on foreign bottoms!

Ex-President Taft says that "if we were compelled to go into a war to-day, our merchant marine lacks altogether sufficient tonnage of auxiliary ships necessary to the proper operation of the navy."

Ex-President Roosevelt has called the attention of the country many times to our lack of a merchant marine, and President Wilson, in a recent message to Congress, laid special stress upon this, our great weakness, and he is now making an earnest effort to arouse the nation to action.

So we might go on with chapter after chapter, giving the views of the best statesmen for the past quarter of a century: it would be but a repetition of the same story, America's great weakness, her lack of a merchant marine.

When the history of the present European war is written, it will be seen that the merchant marine of England played a most important

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part in whatever success the allies may achieve, for without her magnificent merchant marine it would have been impossible, notwithstanding England's fine mobilization, to transport her vast army in time to give France and Belgium that immediate succor which they so badly needed, and all honor will be given to the merchant marine of England that so gallantly answered the call when troops had to be transported in such large numbers. It has also been possible for England, with her merchant marine, to get supplies which are the necessary adjunct to a perfect fighting machine. So when we realize what England's merchant marine has accomplished, both in the present war and during the Boer War in quickly transporting a vast army, need we dwell further on the great necessity of an American merchant marine to augment our navy? Did the author make too strong a statement when he said, at the outset, that the paramount necessity of the American nation is a merchant marine? No sane man realizing the facts as they exist to-day will dispute this statement. The American nation has slept so long on this question that the author realizes he has undertaken an herculean task if he expects to

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awaken her even for a moment of reflection, but assuming that recent events have awakened her to her great need, it is hoped that this presentation of facts may rouse her from her apathy. We who know what our country can accomplish when once stirred to action, can look forward to the quick and permanent restoration of the American flag on the high seas and the return of the American seaman on ships engaged in the oversea commerce of the world.

CHAPTER III

WHAT OUR MERCHANT MARINE WOULD ACCOMPLISH FOR OUR NAVY

ENTIRELY aside from the fact that an adequate merchant marine would be of inestimable value to our navy for its use as auxiliaries, it seems almost criminal not to have a sufficient number of transports for our great battleships. This would be true, even though there were no commercial issues involved. Our great water front requires these merchant ships to safeguard the independence of our nation. If we possessed a merchant marine such as England's, or even as magnificent a one as Germany has, that would immediately place us in the front rank as the leading commercial nation of the world, and notwithstanding our fine commercial standing to-day, we can never hope to be the first nation of the world until we are in a position where we carry at least the greater portion of our oversea commerce on our own ships, for our commerce

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is never safe so long as it is dependent upon foreign bottoms.

There are many Americans who are now congratulating themselves that the free ship bill has been passed by Congress and that some 129 ships with a combined tonnage of 475,000 have come under American registry, relieving the situation in some slight degree, and although the freight rates have already been advanced in some cases 1000%, we are thankful it is no worse. But it must be borne in mind that this is but a temporary makeshift, and as soon as the war is over in all probability we will again be where we were before the commencement of hostilities. Therefore if we hope to build up a merchant marine, what we do must be on a permanent basis, and the legislation known as the free registry bill will not accomplish any permanent effect toward that end, as will be explained later.

To give an example showing the insufficiency of our merchant marine: During the recent imbroglio with Mexico it was necessary to transport a brigade of troops from Galveston to Vera Cruz, and ridiculous as it may appear, it is nevertheless a fact that the War Department announced that it would be unable to move the

entire brigade ordered from Galveston to Vera Cruz in the then available transports. The Department made the statement that "it would be necessary to charter merchant vessels for the movement of the troops," that "it was not in a position to complete arrangements for such ships," and that "further authorization and further funds were needed through Congressional action." Now, if we have not enough transports to move a single brigade of soldiers from Galveston to Vera Cruz, can you realize how utterly helpless we would be if we really had to move an army by sea to fight some foreign foe?

Let us see what an extensive merchant marine could accomplish if controlled by our own citizens. The world's oversea commerce is estimated at approximately \$40,000,000,000, of which our share is \$4,250,000,000, or about 10%. Of this \$40,000,000,000 the nations now at war contribute over \$21,000,000,000, of which they purchase or consume about \$11,000,000,000, and produce in excess of their needs for export about \$10,000,000,000. At this time these nations are producing but a trifle of this vast amount, and practically little for export, so that not only these nations, but the

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entire population of the world, estimated at 1,800,000,000, will shortly be dependent for a large part of the necessities of life upon our market. This would not be such a gigantic responsibility for us to undertake, if we felt sure that our surplus products could be readily transported to the points that would require them. But what are the facts? At Hoboken alone there are over 300,000 tons of merchant ships, principally German, tied up at the docks, and the balance of the German merchant ships are tied up in other neutral ports and in Germany, and a large part of the English and French ships are withdrawn, entire fleet of liners like the White Star and Cunard being withdrawn principally because they are needed as transports by France and England for their armies and for seacoast defense. It is reliably estimated that since the war nearly 6,000,000 gross tons of ocean going vessels flying belligerent flags have been withdrawn from commercial use, or about 13% of the world's total supply of tonnage. We are, therefore, dependent entirely upon a few English ships, the few ships of the Italian, Dutch, and Norwegian lines, and the Japanese lines, aside from those that have registered under

American registry since the passage of the Free Ship law, and the few ships we had sailing under our flag at the time of the breaking out of hostilities. This may be sufficient while shipping is light, but whether the war be ended in the near future or not, it will be but a very short time before the supplies in reserve by the nations at war as well as the others, will be exhausted and there will come an unprecedented demand for the exports of the United States and of other countries having a surplus, and from where will the ships come to meet this demand? We are so ready to travel the path of least resistance, that we seem willing to reconcile our action with the old proverb, "Sufficient unto the day is the evil thereof," and that inaction has been responsible for our present plight. Just look at the commercial expansion of Germany, and compare it with the tremendous growth of her merchant marine. You will see that the one is coincident with the other. Germany's expansion commenced about the time when the present Emperor ascended the throne. Almost his first public utterances were for an expansion of Germany's foreign commerce and a great merchant marine, and suiting the action to the word he

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commenced the upbuilding of both, and many historians will maintain that Germany's great commercial expansion caused the ill feeling that existed against her in England especially, and they will attribute the war to this ill feeling. Be that as it may, the fact remains that Germany's trade expansion up to the breaking out of the war, was greater than that of any foreign country, America not excepted.

About a year ago the German ambassador to the United States issued the statement that Germany had made greater advance in foreign trade than any other nation. He gave out figures showing that German imports had increased during the last forty years by 208% to \$2,668,000,000 and its exports 262% to \$2,258,000,000. He added that Germany accomplished this in competition with the United States, notwithstanding the great natural resources of the United States and its great influx of immigrants, in the prime of life. He showed that between 1872 and 1911 the total foreign trade of the United States increased 236% and that of Germany 199%, but during the decade, 1901 and 1911, the German increase was 143% and that of the United States 105%, and he also showed that

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the value of the foreign trade of the United States in 1911 was \$3,718,820,000, while Germany's was \$4,452,000,000. So when you take into consideration that the population of Germany is about 65,000,000 and that of the United States 50% greater, when you take into account also our great natural resources, our boasted energy and splendid manhood, one cannot fail to admire the wonderful progress Germany has made. So with this splendid example before us, of enterprise and success, ought we to rest satisfied, even though the past twenty-five years show gratifying results?

Consider these figures: Great Britain buys over \$3,000,000,000, and 20% of it comes from us. France, \$1,500,000,000, 11% from us, and the Netherlands \$1,500,000,000 and 10% from us. Now it can readily be seen that on account of the war the United States must place herself in a position to take care of the greater part of this vast commerce, although to-day she supplies but 15%, and how can she do it if she has not the ships to transport the supplies that will be required?

Of the goods exported by the United Kingdom 85% are manufactured goods, Germany exports

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about 58%, France about 47%, and in exchange for these manufactured goods the countries buy food stuffs and raw materials. While they are at war they can manufacture but a small per cent of their former capacity, as their plants are disorganized and depleted, but their consumption of the necessities of life will necessarily be almost as great. How will this shortage be supplied, if not by the United States?

To give you an idea of what it means for the United States to have a merchant marine: In April, 1914, the Hamburg American line inaugurated a regular freight and passenger service between New York and the ports of the Levant and the Black Sea. This was our first direct and regular communication between these important ports. According to the folders issued by the Hamburg American line, it was intended that our country should have regular communication every month to Constantinople and the Black Sea ports via Italy and Greece. For the first time in fifty years direct freight communication was established between the United States and Constantinople and the Black Sea ports. We sold Turkey about \$5,000,000 last year, and next to Great Britain we bought more of Turkey

than any other nation (\$20,000,000). Now, just as we were preparing to push our trade with these countries by means of this regular communication, and by reason of which we could probably have turned that balance of trade, which was \$15,000,000 against us last year, into a surplus,— Germany becomes involved in war, all her merchant ships are withdrawn, and we are again left without regular service to these important seaports, and although we are entirely innocent in the matter, we must suffer the derangement of our commerce, because we are not far-sighted enough to control our own commerce and are willing to be at the mercy of foreign carriers. Not long ago the author personally visited the steamship offices and told the clerks in charge that he wanted to ship some household goods to Constantinople. He was informed at the Hamburg American office that all the ships were withdrawn, and the only possible way was to ship by some English line. He then visited the offices of the International Mercantile Marine Co., which controls the principal English lines from our country to Europe. He was informed that they could offer no solution of the problem, that the best he could do was to ship

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to Liverpool, then try to transship when a vessel could be gotten sailing from Liverpool to Greece, and then transport from Greece to Constantinople. This is a good illustration of the present chaotic condition of our shipping.

Now note the result of discontinuing shipping communication between nations. Germany, because unable to protect her ships, is shut off from America, and our exports to that country dropped from \$21,301,274 in August, 1913, to \$68,737 in August, 1914, while our exports to the United Kingdom dropped only from \$38,355,184 to \$32,951,250, and to France from \$10,750,624 to \$7,420,800 and from now on as the war continues our exports to the United Kingdom and France will increase.

Germany needs almost everything that America produces, but she cannot get her supply from us, because England with her great merchant marine controls the seas. We have the only available wheat surplus of sufficient size to be of real service at a time when it will be most required, but of course, ships are required to transport it. Cast your eye for a moment on the South American situation. Germany exported to Argentina alone last year about \$62,000,000, to

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Brazil \$53,000,000, to Chile \$33,000,000. What country is able to supply these exports to the above named republics? The United States will be looked to for most of this supply. Last year Latin America's foreign commerce amounted to nearly \$3,000,000,000, of which approximately two-thirds were European transactions. In 1913 England exported \$30,000,000 to Chile and France about \$15,000,000.

Note how our exports to foreign countries are apportioned:

British territory, including Great Britain and her colonies takes \$1,134,000,000, or 46% of our total exports; Germany \$332,000,000, and France \$146,000,000; Netherlands \$126,000,000; Italy \$76,000,000; Cuba \$71,000,000; Belgium \$67,000,000; Japan \$58,000,000; Mexico \$54,000,000; Argentina \$53,000,000; Brazil \$43,000,000; British Australasia \$52,000,000; Spain \$31,000,000; Russia \$25,000,000; China \$22,000,000.

With all these facts before us, it can readily be seen what a merchant marine could accomplish in the upbuilding of our commercial trade.

CHAPTER IV

AMERICA'S GREAT RESOURCES MUST HAVE AN OUTLET

I WILL first of all give my readers a brief digest of our nation's great resources, so that they may judge for themselves of the absolute and immediate necessity of finding an outlet for our tremendous surplus. As trade unquestionably follows the flag, the natural thing to do is to build up a merchant marine to carry our surplus products abroad and bring back the surplus products of foreign nations, for after all, commerce is but an exchange of the surplus products of one nation for those of another, and God in his inestimable wisdom has given this nation an almost inconceivable abundance.

In order that a better conception of the magnificent resources of the United States may be had, I will present first of all a few comparative statistics, showing the approximate share of the United States in the world's wealth and commerce, compared with the world's.

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	U. S. Square Miles.	World's Per cent.
The area of the United States is.....	3,600,000	7
Population	102,000,000	6
Corn products, bushels.....	2,600,000,000	68
Wheat products, bushels.....	911,000,000	20
Cotton products, bales.....	14,000,000	61
Sugar products, pounds.....	3,577,000,000	10
Tobacco products, pounds	791,000,000	35
Number of cattle on farms.....	59,000,000	15
Coal product (short tons).....	534,000,000	40
Petroleum product, barrels.....	238,000,000	63
Copper products, pounds.....	1,243,000,000	55
Iron ore (long tons).....	57,000,000	42
Gold product, dollars.....\$	93,000,000	20
Stock of gold, dollars	1,880,000,000	22
Value of all farm products.....	9,751,000,000	no data
Value of manufactures	20,672,000,000	—
Imports of fiscal year 1914.....	1,894,000,000	9
Exports of fiscal year 1914.....	2,365,000,000	12
Foreign trade of fiscal year 1914....	4,259,000,000	10
Domestic trade of fiscal year 1914....	40,000,000,000	no data
Railways, miles	259,000	38
Aggregated wealth, estimated.....\$	140,000,000,000	no data

Thus it can readily be seen, by a careful study of these statistics which are authorized by the Department of Commerce, that the United States probably furnishes 40% of the combined items enumerated above, which are the principal necessities of life. And this is not all the story, for we have vast areas of land that will gradually be inhabited, areas that can com-

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fortably house and maintain five times the present population, for Germany with an area of 208,780 square miles supports 70% of the population of America and her area is but .058% of that of America. At the close of the present war it will probably be found that the flower of what is left of the foreign nations on account of the nations' impoverished condition will seek America and settle here, and this vast immigration will realize that our abundant resources will furnish them ample opportunity for home making.

It is further evident from the previous statistics, that with a population of only 6% of the world our nation's resources and possibilities are far beyond those of any other nation, and when it is taken into consideration that the immigrants admitted into this country are mostly in the prime of life, men who for the greater part come to make this their permanent home and to develop the unbounded natural resources of our great country, one can readily realize America's splendid opportunity to become the world's greatest commercial power.

The commerce of the world, so far as ascertainable, for the seventy-five countries and polit-

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ical groups, is about \$40,000,000,000, imports being \$21,000,000,000 and exports \$19,000,000,000. The excess of imports is accounted for by the fact that many nations include in their imports the cost of freight, insurance, and other charges between point of shipment and arrival. It is to be noted that the older and more advanced nations show an excess of imports over exports, but nearly all American countries show larger exports than imports. Our export balance exceeded \$600,000,000 during the last fiscal year. While the world's carrying power in tons has shown a large increase, yet in number of steamships its fleet has decreased, which shows conclusively a tendency toward larger carrying units, and this significant fact should be taken into careful consideration in connection with the upbuilding of a merchant marine. While this country ranks second in number of tonnage of vessels engaged in commerce, this is due to the vast number engaged in lake and ocean coastwise trade, for the number of American vessels engaged in foreign trade has declined since 1883 to 1913 from 1,302,095 tons to 1,027,775, while the carrying trade of the United States engaged in lake and coastwise trade increased from

3,657,304 to 9,798,561 tons. Taking the entire tonnage of the world, estimated at 47,000,000 gross tons, 40% is credited to Great Britain, 21% to the United States, 11% to Germany, about 5% to Norway and France, 3% each to Holland, Italy and Japan, and $2\frac{3}{4}\%$ to $1\frac{3}{4}\%$ to Russia, Sweden, Austria, Hungary, Denmark and Spain. But when you place beside these figures the percentage of tonnage of the United States engaged in oversea commerce — less than 10% — and consider that from 1883 our lake and coastwise tonnage increased 168% and our foreign tonnage declined 21%, you will quickly reach the conclusion that there is “something rotten in Denmark,” and that it is about time that our nation, with an oversea commerce of \$4,250,000,000, a nation that aspires to be a world power, should take some summary and wise action.

Consular reports received right before the war indicated that many of the leading nations were enlarging their shipping facilities for anticipated increase of trade through the Panama Canal, which our nation built at a cost of \$400,000,000, for these nations expect that the markets of Western South America, Australasia, and

Eastern Asia will be stimulated by the opening of the Canal. The countries fronting on the Pacific have an aggregate import trade of over \$2,000,000,000, and the share of the United States in that trade would be most advantageously affected through the shortening of distance and improvement in transport facilities.

Of this entire trade we now supply about 10%, a much smaller proportion than appears in our trade with nearer and better served communities, from the standpoint of steamship lines. Our vast area of three and two-thirds million square miles, representing every variety of climate and production, being nearly equal in extent to all Europe, which has a population five times that of this country, together with our natural resources, our splendid energy and system, gives us with the Panama Canal, a decided advantage over every European nation, and when one considers that we not only produce sufficient for our own great requirements but that we have an abundance to supply the world, one is forced to question, "What is wrong with us?" And the answer is a simple one — lack of adequate communication between our nation and those who would gladly purchase our surplus at good

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prices, for whether you look on the farm or in the fields, or search below the ground, you find a great storehouse of supplies for all the requirements of man, food, clothing, and shelter.

While we send to the Pacific ports only about \$200,000,000 of their total imports of \$2,000,000,000, or 10%, we buy of them about \$300,000,000, or 15% of their exports, and to the entire South American nations, whose imports last year were about \$1,000,000,000 our share of exports to them was only 14%, and a large percentage of the imports of the South American countries are such commodities as we can readily supply and that we are now supplying to Central America, and while we are selling approximately \$325,000,000 to Latin America, we are buying nearly half a billion, and in the past ten years our exports to these countries has increased from 8% to 13%, while our imports from them have doubled, and while our exports to Latin America show a marked increase, the share which they form of their total imports has not increased, for in 1905 these countries imported 26.7% from the United States, while in 1909 our share was only 24% and in 1911 about 23%.

The analysis of the trade with each of the

nations of Latin America shows conclusively that in those sections in South America which are more distant and supplied with more frequent opportunities for communication with Europe than the United States, the share which we supply is much smaller, which goes to prove that in order to increase our oversea commerce, regular and rapid means of communication must be provided to these countries and this communication should be controlled by our own nation. To illustrate this point: The Central American states imported from us 35% to 75% of their total imports, while Argentine, Brazil, Uruguay, and Chile averaged only about 12% of their imports from America. Just to cite an example — Germany, of all the European nations, provides the best means of communication to Latin America, and her commerce has jumped from \$50,000,000 in 1901, to \$161,000,000 in 1911, an increase of 222%; those of the United Kingdom from \$116,000,000 to \$249,000,000, an increase of 115%, and those of the United States from \$119,000,000 to \$274,000,000, an increase of 130%.

A few facts about the volume of our exports to seven of the great nations now engaged in war,

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during the fiscal year ending June 30, 1914, will, without doubt, be of interest to the reader. We exported to

Austria-Hungary	\$ 22,718,258
Belgium	61,219,894
France	159,818,924
Germany	344,794,276
Russia in Europe.....	30,088,643
Servia	9,462
United Kingdom	594,271,863

These exports were for the most part food stuffs and raw materials.

The probabilities are that there will be a greatly increased demand for our exports, especially our food exports, in fact, this demand is already upon us and when this demand comes with its full force, and it will come soon, perhaps before this book is off the press, we must be prepared to meet it. Now then, not only will we be expected to supply these nations with the vast exports that we sent them last year, which consisted for the most part of food and raw materials, but because of the fact that these nations are engaged in war and are obliged to put on the battlefields a great part of their able-bodied men

who previous to the war were engaged in manufacturing pursuits, who is to supply these nations with the manufactured goods which were formerly supplied by their home market? The United States is the only nation that can meet this demand, which will come to us not only during the war, but which will sweep over this country as soon as peace is declared, for it will be many years before the nations engaged in war will be able to rehabilitate their plants, so completely demoralized are they even at this writing.

And then again, merchant ship construction has practically ceased abroad, and daily reports come to us of the sinking of foreign merchant ships and the destruction of every ship decreases by that amount of tonnage the world's supply. Fortunately up to this writing on account of England's strong position as practical mistress of the seas the destruction has not been great, but who can foretell at this writing at what moment a large part of the merchant ships may be withdrawn or destroyed, and then who and what means is to be employed to carry on not only our own commerce but the commerce of the world? And is this great nation, so strong in every respect, to sit supinely by and wait with quiet com-

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posure, and I might say with complete indifference, to see what will happen? And then when it happens, shall we say, "Well, it's too bad, we ought to have known better, but who could have foreseen this result?" Or shall it use its vast capital and abundant resources, its skill and energy, and immediately set out to do something effective, so that it shall not be a laggard and like Nero, fiddle while Rome is burning, so that before the smoke of this great war has passed away, America shall say, "We are prepared to take care not only of your sustenance but of our own."

CHAPTER V

THE FOREIGN SHIP POOL OR CONFERENCE, AND ITS EFFECT ON AMERICAN OVERSEA COMMERCE

IT is perhaps not an unknown fact, even to one entirely unacquainted with the meaning of the words "merchant marine," that a shipping trust exists, and that this trust or pool is unquestionably the most powerful commercial organization in the world. Even our great steel trust is but a pigmy compared with this giant octopus.

In order to bring clearly before the reader the real situation that existed up to the time when war was declared, I will briefly outline what transpired before an investigation committee, appointed by the Sixty-third Congress. This report, a copy of which can be secured from Washington, upon request, is known as the "Report of the Committee on the Merchant Marine and Fisheries on Steamship Agreements and Affiliations in the American, Foreign and Domestic Trade, under House Resolution 587." It shows

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plainly that this trust has been rather a hard taskmaster and unusually severe on its American subjects. For a long time the American nation has realized that the world's shipping was in the hands of a gigantic combination, that United States shippers were being discriminated against and that this trust was so powerful and its agreements so ironclad that it was made practically impossible for any new competitor to enter the field; but aware as it was of these facts, it was entirely unprepared for the revelations disclosed by this investigation. Some of the important disclosures I will here present and I believe that any fair-minded person will say that in the face of all this our nation must be senile, if that expression may be permitted, to allow such an unspeakable condition to continue under its very eyes. It is true the nation is trying to remedy some of the conditions revealed by these disclosures, a suit to dissolve the trust having been recently decided in the New York District Court against the government. But the remedy lies in a different and much more effective program than investigation, suits and threats. The almost laughable part of the whole situation is, that in the testimony presented one of the reasons

given for a traffic agreement was, that a pooling arrangement was found necessary to preserve the smaller lines against annihilation and give every line a fair division of traffic. And so it is seen that the millions of immigrants who arrive in America from abroad have always been parceled out to various steamship lines, although they themselves were not aware that these transatlantic lines, all of which are members of this pool, were sending them over the line of steamships that *they* desired them to take.

And how do you think it possible for this pool to dictate to you upon what line you should travel? Why, by the simplest possible expedient: it touches your pocketbook! For if any of the lines were carrying *more* than the percentage of steerage passengers (and it must be borne in mind that the first class passengers are only, in amount, less than 10% of the steerage, and so up to now no attention has been paid to this particular traffic) the line is forced to raise its rates until its traffic falls to its proportionate share of the business which the trust has allotted to it. A report is made weekly to the secretary of the conference, and thus "tab" is kept accurately on the traffic of each line.

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Worst of all was the testimony of Mr. P. A. S. Franklin, then Vice President of the International Merchant Marine Co. He said frankly that the spirit of the agreement was not to reduce rates, but instead to have any line exceeding its share advance its rates so that the other lines would then get the business until the agreed balance had been reached, and what is even worse, at the end of a specified time if any lines carried more than the agreed number of passengers, those lines had to pay to the conference a certain sum per excess passenger, which sum was divided among the lines that were less fortunate — a great incentive to improve their service, you will observe, for the lines which probably by reason of poor service did not get their share, and all those lines that were not well patronized said, using the language of the street, "We should worry," or, as a former railroad president is quoted as saying, "The public be damned!"

So that the enormity of the offense that these steamship companies have committed may be realized, we will take the illustration of two railroads traveling between the same points. One is equipped with every convenience for the

comfort of the passengers. The other railroad is antiquated, its rolling stock is not kept up, its roadbed is uneven, and travel on this road is not only inconvenient, but undesirable and uncomfortable. The two parallel roads then enter into an agreement whereby the road that is carrying most of the traffic, by reason of the fact that its equipment is up to date, continues to raise its rates until the unfortunate people who cannot afford to pay the increased rate are forced to accept the poorer accommodations. And then what happens? If the rate by the inferior road gives that road an excess of passengers, the better road loses nothing by the operation, for the inferior road pays to the better road an amount equal to the number of passengers which it is agreed this road should carry and even though it did not carry the passengers it would get this amount of money just the same. How long would this government permit such a condition to exist? In fact, it *could* not exist under our Interstate Commerce law, which was enacted with a view of taking care of such contingencies, so that each railroad must keep up its service, or fall by the wayside. This traffic in human freight is revolting to the common

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sense and decency of our people, and if nothing is ever done to build up a merchant marine, measures should certainly be taken to eradicate this evil condition, whereby immigrants are forced to accept miserable accommodations because the trust wants to let the companies provide such accommodations to carry a large percentage of the traffic.

Until about three years ago American shippers were without any regular service to the west coast of Africa, although England and Germany were operating an efficient service from their markets, and until the German and English conference decided to give America this service American shippers were dependent upon tramp or sailing vessels to reach these ports. Hence on account of having practically no regular steamship communication we had no export business there, but today we have built up quite a profitable export business. But now the nations are at war and our communication is interrupted and practically stopped. Do Americans want to be placed in the position that their export business can be interrupted or continued only at the will of competing countries?

Although the conference absolutely regulates

the service and charges, we are glad to pay whatever the charges may be rather than be shut out from competing with European countries for the trade on the west coast of Africa. The African exporter also is always at the mercy of this pool, and while the pooling agreement that was presented to Congress distinctly shows that rebates are given to European shippers, no mention is made of any rebate to American shippers. The pool does not give us regular communication to the north coast of Africa, and hence we must wait upon it before trying to develop a foreign trade with that portion of Africa.

The gist of the matter is this, that we communicate with foreign nations only by the grace of a gigantic ship trust or conference, and whenever for any reason, war or otherwise, this communication is discontinued or disturbed, that portion of our commerce suffers in proportion to the disturbance. Take our present situation. The nations that carry most of the oversea commerce are locked in deadly warfare. At this writing England and France control the seas, and because of that fact our commerce is interrupted only to the extent that most of the fast sailing ships between America and Europe have

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they have availed themselves very handsomely, and to which I shall refer later.

It seems incredible — and it is impossible to lay too much emphasis upon this point — that this nation, knowing that it is sitting on a bomb which at any moment is likely to explode and smash its oversea commerce to smithereens, nevertheless simply plays with fate hoping, although it wants to be neutral, that England and France will continue to control the seas, so that Germany cannot get out and destroy any of the ships and thus injure or perhaps destroy our own oversea commerce. Self-preservation is the first law of human nature, and no matter how strictly neutral we would like to remain, the sympathy of many for commercial reasons must be with England and France, for if Germany should attack the fleet of England and France, it would hardly be safe for us to send cargoes on the ships of any of these three warring nations, even though the cargoes were insured. We would then have to be dependent upon the small number of boats that are now available.

Why, when Egypt wants to ship goods to the United States, the goods must be transshipped at Liverpool. We have an American corpora-

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great nation, looking forward to the building up of magnificent industrial institutions which tomorrow might be swept away or so badly crippled by reason of its oversea commerce being destroyed that it would take years to recover from the blow? It is true that our government has been doing its utmost to remedy our present situation since the war began. It has inquired first of all whether it would be proper for us to purchase a number of ships owned by Germans, now interned in American waters. It also passed a statute providing for the registry of ships owned by Americans under the American flag, irrespective of age, and the recent but unsuccessful attempt of the Congress of the United States to pass the Alexander bill were all measures in the right direction. The net result of all this has been the addition of less than half a million tons of slow or second class ships which have accepted registry because it was safer for them to accept it and sail under the protection of the American flag, and secondly because an opportunity has been given them, by reason of the war and the withdrawal of the big ships, to raise the freight rates, of which opportunity

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tion known as the United States & Australasian Steamship Company. This company is owned by American merchants who ship extensively to Australia. It is a combination of former ship owners who found it more convenient to combine and join the trust and divide the shipping business between New York and Australia. So you see it is always the same story — "Join the trust or we'll break you."

One can realize the advantage this pool has over any new competitor, when it is understood that any loss sustained in fighting a competitor is divided on a pro rata basis between the parties to the pool, and so when a fighting ship is put on, the loss is divided, and it does not take long for any single competitor to read the handwriting on the wall. In my reading of the report I cannot find an instance where steamers plying between New York or Frisco to any foreign ports are not in the hands of the pool, or conference, and their agreements filed with the commission show clearly the working arrangements of each pool, while in many of the agreements even the amount of the rebates is shown, and the Commission also has the letters of the steamship companies to some of their clients, stating what

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rebates they may expect if they confine their shipments to the trust lines. So you see what chance an outside steamship line would have, coming into competition with the trust. Even a tramp steamer has no chance of getting a cargo, for the reason that the shipper agrees to give all his business to the trust ships. If he fails to do so, he forfeits his rebate. In some cases this rebate amounts to \$1.00 per ton. In this way competition is absolutely stifled and consigners must await the pleasure of the trust. However, when no rebates are allowed and tramp steamers are in port ready for business, it is shown that the pool rates immediately drop.

The Japanese government does everything it possibly can do to compel the Japanese to ship on Japanese bottoms. This is a fundamental principle over there for both outgoing and incoming cargoes, and some of the practices resorted to, to bring about this result, are explained by former Ambassador Charles Page Bryan. Whether the Japanese government is aware of these practices, I am not informed.

The experiences of the Mississippi Valley, South American & Orient Steamship Company (Pan American Mail Line) gives one some idea

of the inner workings of the trust. This line began its service between New Orleans and South America in 1912, and although its vessels were loaded to full capacity on the southbound voyage not a pound of cargo could be secured for the return trip. It was not difficult to account for the failure to obtain a return cargo. The conference simply notified all South American shippers that they would lose their rebates already earned, and aside from that, could not obtain ships for cargoes to Europe, if they patronized the American line, and even though the Pan American line offered almost any rates for a return cargo it was unable to get one, and had to return in ballast, and the line was soon abandoned. One can readily see, therefore, what will happen to any privately owned line that attempts to compete with the trust lines.

Most of the shippers of any importance in South America have connections in Europe as well as the United States, the European interests being of equal importance. For this reason a line of independent steamships to attempt to compete with the trust must operate a line of steamers simultaneously between the United States and South America, and South America

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and Europe, or it cannot get any business in South America from shippers who ship to Europe as well. Thus one can realize the great amount of capital private ownership would have to possess, for it would have to face a tremendous loss while it was getting business from the trust, for the rates would not only have to be lower, but its sailings would have to be at least as regular and its ships as good, and even with all these advantages it would take some time to convince the shippers that the lines would be permanently operated.

Some of the agents of the trust lines, when asked what difference there was in the rates between the United States and South America and Europe and South America stated that they kept the rates the same, so that even on this admission (and the evidence of many of the United States shippers disputes that statement) the distance between Europe and South America and the United States and South America is much greater and the rate should consequently be higher to and from Europe, and now on the west coast of South America where the difference in distance to Europe is still greater, and the United States, which is entitled to some con-

sideration by reason of its great expenditure in building the Canal, will not profit by it, in so far as cheaper freight rates are concerned, for the foreign owned ships will undoubtedly maintain the same rates, if they do not give besides a rebate to European shippers as a reward for going after the South American trade.

Mr. H. C. Howard, American minister to Peru, reported that the three lines carrying the commerce of the United States to the west coast of South America have formed agreements regarding passenger and freight rates, and as a result passenger and freight rates are unusually high, considering the poor accommodations furnished. One of the agents admitted to the Congressional Committee, that a rebate of about 10% was given to the United States Steel Corporation. The United States Steel Corporation is given an advantage over its competitors in America by reason of the fact that it receives a rebate which the other American shippers do not get. This is also regarded as very unamerican. It might be a significant fact to note in this connection that the United States Steel Company operates ships and if it did not get a concession from the trust it might compete with it.

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Under date of January 10, 1915, the American consul at Port Antonio, Jamaica, reported that all the shipping companies carrying freight between Jamaica and American and British ports agreed upon the same rates between the countries — very gratuitous, was it not? when one takes into consideration that the distance between New York and Jamaica is 1,460 miles and between Jamaica and Liverpool 2,700 miles, to say nothing of the better ships and more regular sailing dates to and from the British ports. The evidence seems to indicate that whenever a competitor entered the field of the trust ships, first its strength was sized up and if it appeared that it might cut rates for an indefinite period, the business was divided so that the newcomer received a fair share, and if the competitor was not strong enough the fighting ships were brought into play and put the competitor out of business.

The rebate system effectually shut out all competition if other means proved unavailing, for the agreement for rebates specified that any importer bringing in goods from any other company than the trust lines, forfeits all rebates already earned. It then appears from the re-

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ports that the freight rates between England and Bermuda are the same as those from New York to Bermuda, about one-third of the distance. The evidence shows that a combination existed to drive New York out of the West Indian trade, and a rate was made by a combination of the railroad and steamship lines to Canada, whereby it costs 10 cents per barrel less to ship from Ontario to the West Indies than from New York. Our trade with Porto Rico has grown from less than \$6,000,000 in 1900 to over \$80,000,000 in 1912, and the United States controls nearly 90% of all the oversea commerce with Porto Rico. It is significant to note that during most of this time there has been no combination between the steamship companies, and rates have been cut as much as 70% in an effort to drive a newcomer out of business, and the growth of our oversea commerce with Porto Rico may be traced in a large measure to the low freight rates existing for the greater part of these years between the United States and Porto Rico. The evidence also shows conclusively that where a combination existed rebates were given according to volume of business, so that a small shipper trying to build up a business in Porto Rico is dis-

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criminated against. There are four lines of steamships running to Porto Rico. They have had for many years a constant succession of rate wars and are now engaged in a competitive struggle. There were eighty steamship agreements exhibited to Congress and the agreements show that practically every foreign trade route to and from American ports works in harmonious cooperation. These pools usually limit the amount of freight each line may carry, the number and time of sailing and the rate and rebates that are to be given.

Just to show you the manipulation of freight rates by the conference: In 1910 cotton was shipped from Galveston to Liverpool for 22c a 100, while in 1913 the rate was as high as 70c, and it was even shown in the investigation that some of the freight rates were advanced since 1910 as much as 100%. By raising the rates for flour to the Balkan ports and to Scandinavian ports this pool has practically eliminated American exports of flour to these ports. In 1913 the rate from New York to Christiania was 31c a 100, and from New York to Wara 38c, while the rate at the same time to Rotterdam was 20c and to Liverpool less than 17c, and on account

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of these high freight rates while in former years America shipped large quantities of flour to the Balkan States and Scandinavia today only when America has a record crop and can offer flour at exceptionally low prices can it ship to these ports, and the German and English mills now control the regular business which American mills formerly enjoyed with Scandinavia and Finland. In plain words, the Baltic pool lines, through charging exorbitant and prohibitive rates, are stopping the regular business of American mills to these markets. These pool companies feel so secure in their position that they have exhibited some of their agreements to the Congressional Committee, and one of the agreements shows the exact percentage of steerage passenger traffic that is apportioned to each line, the minimum rate agreed for adult passengers being 100 marks. The second cabin rates are also fixed by this conference.

Many of the railroads are not immune, but are part of the trust. These conferences have the same general secretary and the same headquarters at Jena, Germany. Since 1912 the rates have advanced from Rega, Russia, to the United States, on flax and hemp 13%, on moist

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hides 26%, on dry hides 54%, and on rubber-waste 63%. All of these advances, of course, were made before the war.

American shipments are often held up and foreign shipments given the preference. This also is a serious handicap to our American shippers, for it makes it uncertain as to the time their shipments will leave. On twenty-four leading articles exported from Naples to the United States the average increase was 30% and from Florence, Italy, 50 to 400%, and the United States importer not having received notice of this raise, and having sold his importation on the basis of the old rates naturally lost this extra amount of money that he had to pay on account of the raise, and therefore the United States importer is always placed at a great disadvantage, for it is impossible for him to figure with any degree of certainty on the freight rates.

To sum it all up, so long as we continue to patronize this trust we only increase its power, and if today it appears impossible to get capital of sufficient amount to start a line of American steamships in competition with the trust, how will it be, if by reason of our growing business we simply increase the power of this trust? For

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every ship that it adds to its fleet makes it so much more difficult for a competitor to compete, and by our present policy of inaction we make it more difficult to restore the American flag on the high seas. Some may argue that this war will settle the trust. Even if it does it will not settle our problem, or give us a merchant marine. But I want to make a prediction at this time, that the war will not only NOT settle the trust, but immediately upon the termination of the war, all the money that the members of the trust lost by reason of the inability of many of the ships to engage in commerce, will be made up in a very short time by the highest freight rates ever charged, and indirectly this nation will pay a large proportion of the losses of the trust, for you will find that the first thing that will happen when hostilities are ended, will be the calling of a meeting of the trust, a financial statement will be made by each member, showing its profits before and during the war and the difference will immediately be added to freight rates, and we'll pay the fiddler. We will holler, of course, but what good will it do us? Then we'll threaten to start an independent merchant marine, and in the end we will wind up by pay-

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ing the rates, and indirectly every consumer in America will pay his proportion of the European war tax, unless we act now and supply ourselves with the weapons of protection, which are a merchant marine.

Just to give you an idea how this country is now paying a portion of the cost of the war in increased freight rates, I will quote from a report of the Secretaries of the Treasury and of Commerce, of January 27, 1915. A concern in San Francisco writes that since the war broke out rates had advanced over 300% and within the last fifteen days another 100%, and that these rates were made without notice and even previous engagements were not protected, so that a shipper was actually losing money on a European sale when at the time the sale was made he had figured that he was making a small profit. A manufacturer in Texas writes that for years their entire output had been sold abroad, but owing to present prohibitive rates their plant would shut down until such rates were established that would permit them to market their output, thus throwing that many more men out of employment. This firm also added that

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in their judgment a government merchant marine would solve the problem.

The president of a leaf tobacco association wrote that notwithstanding that members of his organization had written contracts with some of the steamship companies not engaged in the war, these contracts were disregarded and a raise of rates from \$3.50 per hogshead to \$7.50 was insisted upon.

A Philadelphia exporter of coal writes that the shortage of vessels is so serious now that it is practically stopping the exportation of coal, and that they now have several orders for coal to South American ports and it is impossible to secure vessels.

A New York manufacturer of cement writes that rates have advanced so rapidly and that ships have been so scarce that their business has been practically suspended.

A flour miller of Seneca, Mo., writes that he has an offer of some orders from Barcelona, Spain, but that the steamship companies do not care to carry flour, as other commodities permit of a higher rate, but quotes a rate of 49c per 100 lbs. as against 18c before the war, and that this high rate makes the shipment prohibitive.

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A ship broker of New York says that it is almost impossible to get tramp steamers for transatlantic business, although he has offered over three times the rate before the war.

A commission merchant of New York protested against a raise of 280% and was informed that the next shipment would be charged at a higher rate.

A cotton shipper of Atlanta, Ga., says the rate from Savannah to Rotterdam and Bremen was increased from 35c per hundredweight to as high as \$3.00, almost 1000%, or a difference of from \$1.75 per bale to \$15.00 per bale. A lumber concern of Kansas City, Mo., writes that rates have advanced over 300%, and they have in pile at port a little over 9,00,000 feet, all of which is deteriorating, and could be disposed of if shipping facilities would permit.

I have just quoted a few complaints taken from about 75 letters from business houses, all along the same line, and the substance of all being about the same. Boiled down, the situation at present is that freight rates have been advanced to an unparalleled extent without regard to the interests of American trade. High rates are not only restricting the general volume

of our export trade but are actually stopping exportations in some lines. Some business plants have been shut down as a result of the exorbitant rates. Shipowners in some instances are taking only those goods or commodities which will pay the highest freight and are easily unloaded, and are declining to accept shipments of other commodities. If we were sure we had not seen the worst, we might readjust our export business even on these almost prohibitive rates, but there is no telling where these rates will jump to before a decline sets in, and we who are entirely innocent must suffer with the others.

So that my readers may get a slight conception of what this means in dollars and cents, the per cent of cost of freight as to the value of cargo based on rates before the war, on the December exports would have been 5.63%, or in dollars would have cost our farmers and business men \$12,723,800, instead of which it cost them \$30,742,500, which means a loss of \$18,018,700 on December exports alone. Now assume the exports continue for one year on this same basis, we will pay to shipowners, principally foreign, in increased freight charges on our exports alone,

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\$216,224,000. Since December our exports have increased very largely so the additional amount we are obliged to pay has been enormously increased. What does the shrewd, far-seeing American business man say to this proposition? And then when the rates soar higher what will the loss to American capital be?

Some of my readers will argue that the consumer pays the freight, but when they realize that most of these exports are grain and cotton, and they are usually sold F. O. B. point of destination and after the commodity is sold the rates are arbitrarily advanced. What is the shipper to do but pay the piper. And then what of the freight on our imports? We surely must pay that as well.

This proposition, which we have formerly regarded as a political one is no longer so — it rests with the business men of the country as to whether or not America is to have a merchant marine, for no matter who pays the rates, the shipper could probably receive that much more for his goods if the rates were lower, for the consignor in selling must take into consideration the freight rate in making his price, for there is of necessity a limit that the purchaser will pay

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for his goods, and at any rate, this freight rate, whether paid by the buyer or the seller, goes to the steamship companies who unjustly demand it and take advantage of their opportunity to collect it.

CHAPTER VI

REASONS WHY PLANS HERETOFORE PROPOSED FOR THE BUILDING UP OF A MERCHANT MARINE HAVE FAILED: A SUGGESTION FOR THE ESTABLISHMENT OF A MERCHANT MARINE

IT is hoped that in the preceding pages sufficient data have been given to place the mind of the reader in a receptive attitude, so that he may decide for himself whether in view of all the facts the plans now to be submitted for the building up of a merchant marine are feasible and practical, and whether the reasons suggested why America has never been successful in rehabilitating her once great merchant marine are logical and sound.

We will first consider the various plans already submitted and the reasons why they have met with failure, analyzing them section by section.

First. The Discriminating or Discount Duty Plan. This plan has been advocated for the

past quarter of a century, and its adherents have always claimed that the upbuilding of our great merchant marine a hundred years ago was due to this plan and that if the Civil War had not interrupted our progress we would still be the greatest shipping nation in the world. This plan provided, first of all, by legislation enacted into law in 1789, that a discount of 10% on all duties be imposed on imports in vessels wholly the property of a citizen or citizens of the United States. It was superseded in 1790 by a law, which besides allowing a discount of 10% under the conditions above noted, added also an extra duty of 10% on all goods imported into this country on foreign bottoms, so that an American importer, if he imported on an American bottom, would receive a discount of 10%, but if he did not, he not only would lose this 10%, but would be assessed an additional duty of 10% on the duties. This law continued in effect until 1815, and there is no denying the fact that from 1790 to 1815, when the law was again amended, our oversea commerce made wonderful growth. In 1810 we were carrying 90% of our oversea commerce on our own bottoms, as well as much of the commerce of foreign nations. By the

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amendment of 1815, the President was authorized to exempt from additional duty, imports into the United States from foreign countries in vessels belonging to those countries, provided that said countries admitted imports from the United States in American vessels on terms of equality with similar imports on their vessels. This was practically a reciprocal treaty, and this action was taken because foreign nations were beginning to object to our adding 10% to the duties on imports on foreign bottoms and were threatening to retaliate on imports in their countries on our bottoms. Now in the early part of the nineteenth century the Napoleonic wars were being waged, and these wars utterly demoralized European commerce, especially between England and France. These nations were obliged to withdraw their ships from engaging in oversea commerce. This was America's great opportunity, and well did she take advantage of it, for the brilliant growth of her merchant marine speaks splendidly and eloquently of her success. From the Napoleonic era down to 1856 America became ruler of the seas, and not only was her own commerce fostered with gratifying results, but she carried

a great part of the commerce of the world, and her tonnage engaged in foreign trade increased from 765,000 tons in 1821, to 1,631,000 in 1841, and to over 5,000,000 in 1861, and during those same periods the foreign carrying trade of the United States carried on American bottoms, jumped from \$113,000,000 in 1821, to \$208,000,000 in 1841, and up to over \$500,000,000 in 1857, from which point it rapidly declined, and when you realize that this \$500,000,000 in 1857 represented over 70% of our foreign commerce, while twenty years earlier we carried over 80%, you will see that while the value of merchandise carried in American vessels engaged in the foreign trade increased 150% from 1841 to 1857, still the per cent carried in American vessels decreased from 83% to 70%, and from 1856 to 1857 the decline was 5%. Thus it will be noted that the decline set in during this period, which long preceded the Civil War.

Now in 1824 the law of 1815 was again amended, and provided that the additional duty of 10% should not apply to foreign ships or vessels entitled by treaty or by any act of Congress to be admitted upon payment of the same duty applied to imports in ships or vessels of the

United States, with the exception that the additional duty was changed in 1861 from 10% of the ordinary duties to 10% *ad valorem*. This has been explained in a preceding chapter, but is repeated here, so that my readers may better follow the subject.

Now in 1913, Congress in the tariff act of that year provided that "a discriminating duty of ten per cent *ad valorem* in addition to the duties imposed by law shall be levied, collected and paid on all goods, wares or merchandise which shall be imported in vessels not of the United States or which being the production or manufacture of any foreign country not contiguous to the United States shall come into the United States from such contiguous country, but this discriminating duty shall not apply to wares or merchandise which shall be imported on vessels not of the United States entitled at the time of such importation by treaty or convention or act of Congress to be entered in the ports of the United States on payment of the same duties as shall then be payable on goods, wares or merchandise imported in vessels of the United States, nor to such foreign products or manufactures as shall be imported from such con-

tiguous countries in the usual course of strictly retail trade." And further in this same act it provides that "a discount of 5% on all duties imposed by this act shall be allowed on such goods, wares and merchandise as shall be imported in vessels admitted to registration under the laws of the United States. Provided that nothing in this subsection shall be so construed as to abrogate or in any manner impair or affect the provisions of any treaty concluded between the United States and any foreign nation."

The addition of the provision in respect to imports from contiguous countries first appeared in the tariff act of 1897.

This is the history of the legislation with reference to an additional or discriminating duty and a discount duty. But all of these provisions contain a clause that if in conflict with treaties or agreements with nations, these clauses become void with reference to such countries, and inasmuch as we have some thirty-odd treaties with the leading nations of the world and they practically embrace all countries from whom we import, in order to make this law of any effect we would, of course, be obliged first to notify these countries that we intended to abrogate

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these treaties with them, and one year's notice must be given. In this same tariff bill there is a clause authorizing and empowering the President of the United States to negotiate trade agreements with foreign nations wherein mutual concessions are made looking toward free trade relations and further reciprocal expansion of trade and commerce.

Now, does it not appear absurd to even think of first asking the President to negotiate trade agreements for a freer exchange of commerce, and then in the same breath ask him to give notice to those nations with whom we already have free trade relations that we intend to abrogate those trade relations? Such a plan appears too ridiculous even to discuss for a single instant. So you see all this talk about establishing a merchant marine by a discriminating or discount duty plan is a farce pure and simple, for the law has now been in force over a year, and not a ship has been added to our fleet on that account, for not a single discount has been allowed, nor has a single discriminating duty been added to a shipment received on a foreign bottom, as the Attorney General of the United States has ruled

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that that part of the tariff law of 1913 is unconstitutional because it violates treaty rights.

A very recent decision of the United States Customs Court of Appeals holds that whatever discount is allowed on goods imported on American vessels must be allowed on all goods received on foreign bottoms, where reciprocal treaties exist, and except with France we have such reciprocal treaties.

In 1872 the government of France conceived the same idea, that it could build up its merchant marine by placing an additional tax on goods received by French importers on bottoms other than those of France, but in 1873 the law was repealed, for other nations threatened reprisals if this action was not taken, and that is exactly what would happen in this country if we attempted to abrogate all our treaties with foreign nations and enacted into law a discriminating or discount duty, or both.

Now assume that we did this, what would happen? First of all, there are other important treaty rights contained in most of the treaties with other nations, and we have received valuable concessions in some of them, and we would not find it so easy to renegotiate new

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treaties on as favorable terms, for the nations would know why we abrogated these treaties.

Then again, compare the situation of to-day with that of a hundred years ago, when the discriminating duty was in effect. Our manufactures were in their infancy, and except for the food stuffs our exports were but meager. During the last fiscal year there was a balance in our favor of exports over imports of over \$600,000,000, our exports of iron and steel manufactures having grown in the last hundred years from nothing, in fact, (for until 1850 we exported practically no iron or steel manufactures) to over \$300,000,000 in 1913.

Now assume for a moment that a discriminating duty of 10% was added to all duties on imports received on foreign bottoms. Our imports of goods on the free list have steadily increased, and last year we imported not quite a billion dollars of our \$1,800,000,000 of merchandise free of duty. Now how would it do to tax this \$1,000,000,000, practically all of which came in on foreign bottoms, with 10% discriminating duty, which duty as well as the profit would be added to the cost to the consumer and which means from \$100,000,000 to \$150,000,000

added to the cost of living? I hardly think our nation would "stand for" this tax very long, for the free list is being gradually extended and from some of the nations with whom we trade practically all of our importations are items now on the free list, so if the free list items were excluded from the discriminating duty tax, there would be so little left to tax, that no one can seriously think that such action on the part of our government would ever build up a merchant marine.

Now suppose that notwithstanding all these facts, we still decided to abrogate our treaties and renegotiate new ones, eliminating that portion that prohibited a discriminating duty and making the additional duty lawful. Immediately upon these treaties going into effect we would unquestionably find that all foreign nations with whom we had commercial relations would adopt the same plan against us, and every dollar we exported,— and our exports are vastly in excess of our imports,— would be taxed 10% additional duty, if exported into foreign countries on American bottoms. Do you think any sane merchant in these foreign countries would import on an American bottom and pay

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10% additional for his goods, when he could import on a bottom without paying this additional duty? And then, what would be the result? It is very plainly to be seen that our ships might carry full cargoes to America, but how would they go back to foreign countries? Why, in ballast, of course. And how long would a merchant marine survive, if it carried a full cargo one way and returned in ballast? The plan, if attempted, would simply mean that this government would be willing to commit commercial suicide. Better a thousand times that we never own a single merchant ship, than that we attempt such a plan as proposed by discount duty adherents. I do not even admit that our merchant marine was built up through the operation of this plan. The Napoleonic wars were unquestionably responsible for the up-building of our merchant marine, as I have stated before, and it received such an impetus that at the close of the war it was impossible for foreign countries to overtake us, until the era of iron ships came in, and then, as we were unfamiliar with iron manufacturers at that time, and England with her great advantages in this respect began to build her ships of iron,— and

her ships were faster and more substantial,— our decline set in, for as England increased her merchant marine, our nation lost correspondingly. Then came the unfortunate Civil War, and although we had been losing ground rapidly for five years prior to that time, still it just needed the war to set us back, even as the Napoleonic wars set England and France back, and we have never recovered from that setback since. But our indifference during the past twenty-five years had a great deal to do with it. Without touching upon that phase of the matter now, suffice it to say that we hardly think one will find any person who has given the subject much study and is at all familiar with the facts as above presented, who believes that our merchant marine can be rehabilitated by the discriminating or discount duty plan.

Second. The next plan to be considered is what is known as the Free Ship plan. Its adherents believe that if the United States will permit Americans to purchase ships wherever they please and bring them into America free of duty, many Americans would undertake the operation of merchant ships. Now this plan received a free and full discussion before a Com-

mission appointed by the Congress of the United States in 1902, known as the Merchant Marine Commission, and when persons whom it was thought this plan would interest, were asked if they would operate under this plan, if such a law were passed, they replied that they could not, because ship inspection and maritime laws, combined with the added cost of labor on American ships as against foreign ships, would make it impossible for them to operate profitably against this competition, and anyone who has studied the table of wages on foreign and American ships will be speedily convinced of the utter uselessness of attempting to build up a merchant marine on any such plan.

Now since the commencement of the present war, the government found our country in a desperate condition by reason of the withdrawal of so many ships that were formerly carrying our commerce, and so a temporary measure was enacted which permits the President, so long as he deems it necessary, to permit foreign built ships owned by Americans, to register under the American flag, and the President is also authorized to suspend the inspection and other maritime regulations which were objectionable.

At this moment then we have even a much broader free ship plan than was ever dreamed of by the free ship adherents. And what has happened? First of all, these foreign ships coming under American registry, are protected by the American flag, and this reason alone, it would seem, would be sufficient to impel these ships to seek protection under our flag in order that their commerce might be safely carried on. And again, no restrictions were made by our government as to charges; but notwithstanding all this freedom and all the advantages of registry under the American flag at this time, and notwithstanding that those ships which have accepted American registry have advanced their former freight rates without sufficient justification, up to 1000% — nevertheless only 129 ships have accepted American registry, with a gross tonnage of not quite 475,000.

Now if that is all the tonnage we get under these most favorable conditions, when these lines have practically no competition and not a single restriction, what would be the result of a free ship plan, under ordinary conditions when the sea is safe for ships of all nations? I predict now, that within ninety days after the close of

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the war and the resumption of the regular lines of steamers, nearly all of this tonnage that has come under free registry will go back to its former flag, and my main reason for making this prediction is, that the shipping trust will bring its gentle influence to bear upon it, and as this influence for many years past has seemed to accomplish whatever it desired of the various shipowners, it is safe to say it will have little difficulty in bringing these lines back to their former close relations with the trust.

So you see that this makeshift legislation, which I am not criticizing and which I think was necessary during the war, will avail us nothing toward attaining the desired end, and in all probability soon after the close of the war we will again be face to face with the same problem, but we will at least have accomplished one beneficial result, for we will have demonstrated once for all that a merchant marine cannot be built up by a free ship plan.

There is still another phase of the situation that I have not touched upon, and that is the attitude of organized labor. Does any one who has watched organized labor during recent years, think for a moment that it will sit idly by

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and permit the ship owners to employ foreign seamen on the steamers? It will be but a short time before the legislators in Washington will conceive the idea that it might be a good plan to pass legislation prohibiting foreign seamen on American ships, and then "where will we be at?" How long do you think it would be before these ships would go back to foreign registry, in order to get the benefit of lower wages? For they will claim that they cannot compete with foreign ships paying a lower wage scale, and we cannot, of course, compel foreign ship owners to make their scale of wages in keeping with ours. So there again we may encounter difficulties.

It must also be borne in mind that this free ship law just passed does not compel the owners of these ships to permit the United States to take them in case of war, so that it gives the United States no auxiliaries in the event it should need them, and one of the important reasons for a merchant marine is that the government should be able to impress into its navy these merchant ships in case of war.

Third. The next to be considered is the Ship Subsidy plan. This, too, is one that has many

advocates. In fact, because it has proven successful in foreign lands, many believe that we would meet with the same measure of success under its operation. This plan simply provides that a bounty be given by our government to Americans who will build and operate ships under our flag in oversea commerce. Strange as it may seem, the nation with the greatest merchant marine, in fact the nation whose oversea tonnage is greater than that of all the nations combined,—England—gives practically no ship subsidy, and has given practically none for many years. She gives a small sum for the use of ships that can be utilized as armored cruisers in case of war, and she also pays for the carriage of her mail. Our government pays for the carriage of our mail, and we have ships subsidized for that purpose on both the Atlantic and the Pacific. It may seem strange, but nevertheless it is true, that although our ships are subsidized for the carrying of mails, *they are members of the ship trust*, so you can see that subsidizing ships does not prevent their joining the pool, for they are obliged to do it in self-defense, or they will not get cargoes, and if to-day we attempted to build up a merchant marine through a ship subsidy,

unless these ships joined the pool they would soon be driven off the high seas, or would come back to our government for an increase of subsidy, and we would never know whether we had an American merchant marine or not. There have been several cases where steamers, although subsidized by our government, could not go out, because they could get no freight. The Hamburg-American Line, the greatest steamship line of all, receives no subsidies from the government of Germany.

This plan has been before the country more prominently than any other, and bill after bill has been introduced in Congress, but they have always failed of passage, and if a bill could not pass a Republican Congress, what chance would it have of passing in a Democratic Congress? For it is a form of paternalism, and Democratic policy is against paternalism. Aside from this fact, unless the government offered enormous subsidies, or offered subsidies and free registry and practically unrestricted employment and maritime regulations, it would not succeed in getting capital to embark in the shipping business in competition with the trust. Recently Mr. B. N. Baker, of Baltimore, one of the ablest

and most experienced authorities on the merchant marine, attempted to raise \$15,000,000 to build ships to go through the Canal, but so powerful is the shipping trust that Mr. Baker found it impossible to raise the money. One is convinced that we are wasting time if we wait for the Congress to pass a ship subsidy bill. Then take this plank of the Democratic platform into consideration (and we must assume that the people, when they elected the Democratic party to power, understood what its platform was): It says, "We believe in fostering by constitutional regulation of commerce the growth of the Merchant Marine, which shall develop and strengthen the commercial ties which bind us to our sister republics of the South, but without imposing additional burdens upon the people and without bounties or subsidies from the public treasury." It seems to me that the language of this plank is very clear and surely no subsidy bill could be passed during this administration.

Fourth. Government — Partially owned and operated *Steamship Plan*. Other plans presented to Congress are quasi-government owned or government controlled ships or vessels, and

the Alexander bill, now before Congress, and which seems to have the approval of a large number of the members, provides that "the United States, acting through a shipping board, may subscribe to the capital stock of any corporation now or hereafter organized under the laws of the United States or of any state thereof, or of the District of Columbia, upon the terms and conditions herein mentioned. The object of this corporation is to purchase, construct, equip, maintain and operate merchant vessels in the trade between the Atlantic Gulf or Pacific ports of the United States and the ports of Central and South America and elsewhere, to meet the requirements of the foreign commerce of the United States. The initial capital stock of such corporation shall not be over \$10,000,000 of the par value of \$100 per share, but the shipping board with the approval of the President may consent to, or cause an increase of the capital stock from time to time as the interests of the corporation may require." It provides that "the United States shall subscribe for 51% of each and every such increase. It provides that the United States shall subscribe for 51% of this stock at par and the remainder shall be offered

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to the public for public subscription, and it provides that the United States shall further subscribe at par to an amount of such stock equal to that not taken by public subscription, and such corporation may begin business as soon as 51% of such stock has been subscribed and paid for by the United States. It further provides that the United States through the shipping board and with the approval of the President is authorized to purchase or construct vessels suitable in the judgment of the shipping board for the purpose of such corporation with a view to transferring them to such corporation, and for this purpose the Secretary of the Treasury, upon the request of the shipping board, may issue and sell or use for such purchase or construction any of the bonds of the United States now available in the treasury of the United States under the Act of August 5, 1909, the Act of February 4, 1910, and of March 2, 1911, relating to the issue of bonds for the construction of the Panama Canal, to a total amount of not to exceed \$30,000,000 for the purpose of purchasing and constructing such vessels. It further provides that the shipping board is authorized to transfer the vessels purchased or constructed as herein provided to

such corporation, and such corporation shall issue to the United States in payment thereof, its gold bonds bearing interest at not less than 4% per annum and upon such further terms and conditions as may be prescribed by the shipping board, such bonds to constitute a first and permanent lien upon such vessels thus transferred and upon all the property of the corporation, provided that the amount of bonds received by the United States in payment for such vessels shall not be less at the then par value, than the total amount expended by the United States in the purchase or construction of such vessels, and same may be sold by the Secretary of the Treasury in his discretion and with the approval of the President, to reimburse the Treasury for expenditures made in the purchase or construction of vessels. It also provides that such corporation shall make suitable provision for sinking fund and for the depreciation charges under the rules and regulations to be prescribed by such shipping board. It then provides that the vessels purchased or constructed by such shipping board and conveyed to such corporation shall be entitled to registry under the laws of the United States and shall be deemed vessels of the

United States and entitled to the benefits and privileges appertaining to such vessels, except that such vessels shall engage only in trade with foreign countries, or with the Philippine Islands and the Islands of Guam and Tutuila. It provides that such vessels shall be subject to the direction of the President, the Secretary of the Treasury, and the Postmaster General and the Secretary of Commerce, who are constituted a board known as the Shipping Board, with full power to vote the stock of the United States in such corporation, and to do all the other things necessary to protect the interests of the United States and to carry out the purposes of the act. It also provides that with the approval of Congress such Shipping Board may at any time sell the stock of such corporation owned by the United States. It also provides that the President of the United States is authorized to charter, lease, or transfer such naval auxiliaries now belonging to the naval establishment of the United States as are suitable for commercial use and which are not required for the navy in time of peace, and vessels now owned and operated by the Panama Railroad Company, to any corporation now or hereafter organized as in this

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act provided, upon such terms and conditions as the President of the United States shall prescribe. The vessels purchased or constructed by the United States through the Shipping Board, with the approval of the United States, shall be of a type as far as the commercial requirements of the foreign trade of the United States may permit, suitable for use as naval auxiliaries in the naval establishment of the United States." It also gives the President at any time the right upon giving written notice, to take possession for use as naval auxiliaries in the United States Navy or for other purposes of any vessels used by such corporation at a reasonable price or rental. It further provides for the submission to Congress at the beginning of each regular session, of a detailed statement of the expenditures under this act and of all receipts. It also provides an appropriation of \$10,000,000 out of any money in the treasury of the United States not otherwise appropriated. Finally, the act takes effect from date of its passage. So this bill, known as the Alexander Bill, is the last word, so far as proposed Congressional legislation is concerned.

For many years the author has written and spoken before various commercial organiza-

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tions, and has always consistently advocated a government-owned merchant marine. This bill approximates, in some measure, the plan for a government-owned merchant marine, and while it differs in many respects from the measure proposed by the author, still if it should become a law it would afford him satisfaction, for it will at least result in giving a trial to a plan whereby the nation will operate merchant ships, and whether all the money be subscribed by the nation or a part come from the general public, at least the government will control and operate these ships and will be enabled to make its own freight rates to our shippers, instead of compelling them to submit to the demands of a shipping trust whose stockholders in a large part are not in sympathy with our shippers. So that the reader can compare the plan last outlined with the one that has always been advocated by the author, we will now present his plan.

The plan proposed is simply that our nation build ships in our own navy yards,— and there are eight yards which can speedily be put into shape for this purpose,— these ships to be built upon designs furnished by our own draughtsmen, with special reference to their use for com-

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mercial purposes and their conversion into auxiliaries for our navy in time of war. It is believed that in view of the fact that these ships are to be used as auxiliaries to our navy and that we have about 60,000 seamen now in charge of our regular naval fleet consisting of about 230 ships, it would be wiser to put these merchant ships in the navy department and authorize the proper officials to transfer part of our regular naval organization to the merchant ships. In that way these ships would have a crew experienced, in part at least. Our navy also has some ships that can probably be used as merchant ships at once. It has always seemed to the author that this was the proper thing to do, and that such action would improve the efficiency both of our navy and the merchant marine, for it would give our navy the opportunity to see some service, and to visit foreign ports and observe their ships, defences, habits, etc., just as the foreign ships use like opportunity in our ports. Aside from that fact, we have a well organized naval board and many bureaus, such as yards, docks, navigation, ordinance construction and repairs, steam engineering, supplies and accounts, medicine and surgery, naval intelligence,

hydrographic naval and medical examination, board of observation, retiring board, medical school and dispensaries, and general inspector and pay corps, and it seems to me that our present overhead, with some commercial additions, such as bureau of routes, tariff and finance, would easily take care of this additional fleet of merchant ships. We have over three thousand officers in our navy, and I believe it would be an excellent plan to transfer some of them to the merchant marine department. Then with this organization as a foundation we would simply augment it as we build the ships. This plan has been submitted to Admiral Dewey, and he wrote, in response, that he thought it feasible and hoped it would be adopted.

There will be objections urged to both the Alexander bill and the plan here suggested. The principal objection will be that it is not so serious a matter that the government need go into the business of conducting a merchant marine, and that it is dangerous for the government to go further into an undertaking that is in a sense a business proposition. On both objections the author has always disagreed with his opponents, in so far as the merchant marine is con-

cerned. Answering the first objection that the situation is not sufficiently serious, he disputes it with all the earnestness at his command. The government has for many years been in imminent danger, for in case of war it has never been denied that our navy would be to a large extent helpless without transports and auxiliaries, for what, may I ask, could six transports and seven supply ships and two hospital ships and twenty-one colliers with 95,000 tons cargo capacity, accomplish as a help to our navy? Where would we get transports for our army, supply ships, scouts, colliers for our coal, ammunition ships, refrigerating and distilling ships, dispatch vessels and tugs and depot ships? And without these does any one claim that our navy could be effective?

As before stated, every President from Cleveland down to the present chief of the nation, has brought this to our attention most forcibly, and many important naval officers have brought it before the government in some way or other. Where could we get these ships in time of need? For the neutrality treaties forbid other nations selling them to us. Why, we are fearful even about buying any of the ships of the Germans

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interned at Hoboken, although we want to use them for peaceful purposes only,—in fact we want them for carrying food to people who will soon be starving if we cannot get ships to carry our food to them. We have not bought them, although we need them badly, because we believe it might offend friendly nations, although it appears that international law absolutely gives us the right to buy them for friendly use. So you see, if *we* were at war, no nation would dare to sell us ships to be used to carry on a war; for they even object to *our* purchasing ships for a peaceful purpose! The situation is exceedingly dangerous, without a doubt, and every moment that we neglect to add this necessary adjunct to our fleet we are guilty of gross indifference, to say the least.

Then, too, comes the matter of giving our shippers equal rights with foreign shippers in the export and import of their commerce. This has always been denied us, and how can we expect our nation to go on with the great expansion of her commerce, so necessary to take care of the vast resources of our growing nation, if we are constantly placed at so great a disadvantage in the matter of direct communication with our

customers, that is to say, if we are obliged to deliver our goods in our competitors' delivery wagons at our competitors' rates and convenience? A recent editorial in one of the metropolitan journals of our city stated that the war had brought about a slowing up in our exports and there was no need of haste at this time for our government to operate merchant ships, that we had enough ships for our present commerce.

But I deny the correctness of this editorial at this time, for letters on file at Washington, some of which I have previously referred to, contradict this editorial as well as recent figures showing our exports for the past three months. Did this great journal realize the fact that our commerce was then at its lowest ebb, and that whether the war were ended soon or not, our nation would shortly be called upon to supply the world, practically, with the necessities of life, and that in view of the fact that all the great German merchant ships were withdrawn and many of the largest and best of the English and French ships, we would be far more helpless than ever when our commerce expanded; for that condition confronts us to-day? I repeat with all the force I can bring to bear upon it, that

we have not enough ships to-day for our present commerce, and every day the situation becomes more acute. To cite a recent instance: When the *Manchuria* recently sailed from San Francisco with a cargo estimated at \$1,200,000, there was much more merchandise in the docks than the ship could possibly carry. Even 500 bales of cotton consigned to Japan were left behind for lack of cargo space, and we all know how necessary it is to get to its place of destination every bale of cotton sold. This cargo will have to wait for some tramp steamer to pick it up and get it to its destination at some uncertain time; and this condition now exists even before the great increase in our exports sets in which will come at any day in fact which is here now. What will be the situation under improving conditions, may I ask? And again, the editor is reminded of a further fact, that freight rates have already advanced from 100% to 1000% since the withdrawal of the ships,—so will any one argue, in the face of these facts, that we can sit supinely by and continue as we have done for a quarter of a century or more, and play a waiting game? Waiting for what? Ships will not rain down from heaven. It takes a year to construct a sin-

gle merchant ship, such as our commerce will require, and it will take several years to acquire even a fair fleet, if we start at once,—so why wait any longer?

Now to answer the criticism that it is bad policy to put our government in the shipping business. Let us just briefly scan our government's recent history. When the postal savings bank was proposed, was it not bitterly fought on the same grounds? The bankers, who were its most bitter opponents, declared that it would result in depleting their deposits and drive them out of business, and the government had no right to go into the banking business. What banker would make that statement to-day? The bank deposits all over the country have steadily increased, and the postal banks have correspondingly grown, and millions of dollars that were formerly hoarded have since been put in circulation, where the money properly belongs. Who now would take a step backward, and abolish the postal savings banks?

Then let us take up for a moment the parcel post business. Who besides the express companies and their stockholders, objects to the government reducing the cost of carrying packages,

thereby reducing the cost of living? It is unfortunate that some express companies were so overcapitalized that they could not meet the government rates and were forced out of business. Now, as a matter of fact, the only losers were the few stockholders who lost a portion of their dividends; but what of the thousands of people who are now receiving a great direct benefit from the reduction of express rates? The statement that it put a great many employes out of business is not even correct, for the government must employ men to deliver these packages and have wagons and the rest of the equipment necessary to transact the business, and without doubt more people are employed to-day in the express carrying business than ever before, including, of course, the additional government employes, and after a few years more no one will be found objecting to our government being in the parcel post business. If one should go abroad and tell a foreigner that some people object to the government carrying parcels just as it does letters, he would probably be told that he would better have their sanity tested.

Now as to the Panama Canal.—Many, no doubt, will recall the same cry against our gov-

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ernment undertaking the construction of the Canal. Twice it had been attempted by a great people and a great engineer, and twice failure had been written across the undertaking. Then it was argued that we could not build it successfully, aside from the immense amount of money that would be required, and that if *private capital*, mind you, could not build it, our government surely could not. Unmindful of this opposition we proceeded, and, making use of our military, we not only completed the greatest engineering feat of modern times, but opened up even ahead of the time specified, and it was built by the military and civil branch of our government, a government enterprise from start to finish, and the proudest boast of this nation is that it *is* our own enterprise, and who to-day doubts the wisdom of the government in this undertaking?

Now the Merchant Marine proposition resembles in many respects the Panama Canal enterprise. Private capital failed in the construction of the Panama Canal because it had uppermost in mind the making of money. The construction of this Canal would never have been attempted if the men who financed it originally

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had not seen possibilities of tremendous profit. The natural thing, then, was for them to attempt to build the Canal without any regard for the lives or safety of the workmen, for human beings were held more cheaply than capital. The result was that thousands of able-bodied men perished, for no provision was made for the comfort or health of these workmen. The cost exceeded by far the estimates of the projectors of this enterprise, and they became discouraged and work on the Canal stopped.

Now private enterprise attempting to build a merchant marine would have only one viewpoint — a quick return to the stockholders who made the investment. If this government built a merchant marine it would operate along entirely different lines. First of all, the spirit of patriotism in the Navy Department is naturally different from the spirit that moves a business enterprise. Hardships are endured because when a man enlists in the navy he realizes that he is giving his life to his country. The government is actuated as well purely by a motive of doing something that will ultimately bring peace and prosperity to the nation, and if the government built up a merchant marine under the control and

with the cooperation of the navy, the enterprise would lose for the time being its commercial aspect and every man, from the Secretary of the Navy down to the seamen, would take a patriotic interest in the success of the movement, and this great interest would enable the government to achieve a measure of success beyond any that private enterprise could accomplish.

Again, consider the question of building railroads in Alaska to develop that country. Private capital was unwilling to venture, and the great resources of Alaska remain undeveloped. Our nation, however, will soon undertake this work, also, and doubtless it will accomplish this successfully, as it has its other public undertakings just referred to. This owning and operating of public utilities is done abroad very successfully, and is undertaken by the government as a matter of fact, and is not regarded the least bit as an unusual proceeding.

Now the author does not wish to be misunderstood in this matter. He is the last person in the world wishing to put too much responsibility on the government, not because he doubts its ability to undertake it, yet he prefers, whenever possible, to encourage private capital and pri-

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vate ownership to develop our great resources, because he believes that private capital is naturally more ambitious and energetic and should be encouraged; but there are some enterprises that do not need ambition or energy, and those the government has already undertaken are instances of this kind. I will not grant that individual ownership is more honest, I will never grant that. In the light of the recent railroad exposures, the author feels he will not be disputed in this line of argument.

So now we come down to the question of government ownership and control of steamships. First of all, let us refer briefly to the great advantage of government ownership of steamships, even as against private ownership, admitting that we could get private capital to invest in steamships and compete with the trust, even with or without subsidy. The government, in the first place, is not organized to make money out of any of its enterprises. So that this government would start out on a different policy with its steamship business from that of private capital. To illustrate, say the government thought it wise to open a line of direct communication with some of the countries with which we are doing

but little business,— perhaps because of lack of regular and direct means of communication, perhaps because no effort was made by the country to get this business, and on that account, let us say, the communication between such countries and the United States was only indifferently maintained. Now it is apparent that it would take some time before the business of transporting would be profitable,— in other words, there would have to be some pioneering. Private capital would be unwilling to pioneer if it could traverse routes that would be immediately profitable, because it would feel that its stockholders would want immediate dividends, and so it would take a very long time, perhaps, before we would get regular and direct communication with countries with whom our trade is not fairly well established, whereas if the steamship line were owned by the government, by reason of its great saving of overhead and the fact that no dividends have to be paid to stockholders, and also by reason of the fact that these ships would be considered auxiliary cruisers as well, and it would not be necessary on that account perhaps to build so many battleships which must be maintained, so that all these facts could be taken

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into consideration, and for these reasons no citizen would feel dissatisfied if the government operated at no profit or even at a slight loss, to points where new business and connections would be established, for the government builds for all time,—corporations may come and go, but this nation goes on forever, and our profit would come ultimately as the business increases, but our nation would immediately receive its profit in increased business.

Then take the case where the government entered into fields now covered by the ship trust. The trust would not for a moment think of putting its fighting ships beside ours, because it would realize the futility of attempting to drive the government out of business by cutting its rates, and if the trust cut the rates below what the government wanted to meet, would not our shippers get the benefit? So no matter what the result was, if the government sent its ships on the high seas to compete with the trust, whether the trust lowered its rates, or put on better and faster ships than our government built, our nation would always be benefited, and if our government put better and faster ships beside the slow and antiquated ones the trust so kindly gives us

to some ports, that would be again so much gain for our shippers. To illustrate: The fastest ships sailing between New York and South America make less than 11 knots per hour, and it takes 24 days to go from New York to South America in fair weather. The distance is about 6100 knots. Now, ships controlled by the trust send to and go from Liverpool or Hamburg to Buenos Aires in 22 days and the distance is 7,000 knots, so you see that the ships we get for our export trade to South America are smaller and slower and poorer than those that our competitors get for their exports to the same places. Now suppose our government decided to operate ships to South America, and it constructed ships to go, say, 18 knots instead of 11 knots an hour,—it would thereby shorten the distance between New York and South America by ten days and it would enable a merchant in New York to get a letter or merchandise down there in a fortnight instead of 24 days and a reply back in the same length of time. Now see what that would mean in an increase in our business to South America. We are truly congratulating ourselves that at a cost of nearly \$400,000,000 we have shortened the distance between New York and the west

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coast of South America by one-third,— now we could do the same thing on the east coast with 5% or less of that cost and make an additional saving on the west coast, and experts agree that it is more economical shipping on large units, and the smaller ship is fast disappearing and giving way to the larger and faster steamship. There are ships, and quite a number of them, that are transporting freight and passengers between New York and Europe that make even much faster time than 18 knots, in fact 18 knots an hour is slow time for most of the modern American and European routes. And so we say, why not give South America the advantage of these fast ships? Then the South American will trade much more abundantly with us, and will visit us much oftener, for who relishes a 24 day trip on the water, with bad accommodations thrown into the bargain? And that is why many South Americans who wish to come to America come via Europe, over 4,000 miles out of their way.

Take it in the wearing apparel lines,— before the South American can get his order here and his goods back there, the season is over and he is showing goods a season behind the times.

The author has met many South Americans abroad, and he finds them just as anxious to wear the latest styles as the Americans, and with fast ships of say 18 knots a South American could order his goods, say, in February, and get his goods in March, in ample time for his season's business. If you want South American trade,—and the newspapers are constantly clamoring that we are not energetic enough down there,—just send your ships there regularly and let them fly the American flag; let them be of the latest type of steamship, and you will find that the South Americans will respect you much more than they do now, for they never see the American flag except on some tramp steamer, and how can you ask them to respect you under these conditions?

Every consul in a foreign port, if asked by the State Department to report as to what would be of most benefit to this nation in securing foreign trade, reports back, "American ships." Read the consular reports and you can readily satisfy yourself on this point.

Consider the many beneficial results that would follow if we had government-owned and controlled ships:—

